

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3 EMPLOYEE BENEFITS (CONTINUE)

3.1 Post Retirement Health Care Benefits

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2,345	3,191	5,536	

The effect of movements in the assumptions is as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	2,858	3,431	6,289	14%
Health care inflation	-1%	1,938	2,990	4,928	-11%
Post-retirement mortality	-1 year	2,442	3,303	5,746	4%
Average retirement age	-1 year	2,656	3,191	5,847	6%
Withdrawal Rate	-50%	2,622	3,191	5,814	5%

3.2 Retirement funds

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Both the Cape Joint Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. GRAP25.31 state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality was not supplied with information on the Municipality's share of the Pension and Retirement Funds' assets by the fund administrator.

Combined plans (including both defined benefit and defined contribution members)

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Since the fund's financial year end at 30 June 2009, its actuary had been investigating the investment return for the past financial year. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The pro-rata portion owed by the Municipality was calculated at R221 047. Refer to note 6 for provision made.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2009 - 103,3%).

Defined contribution plans

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

2011 R	2010 R
2,081,172	1,718,557

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

EMPLOYEE BENEFITS (CONTINUE)

3.3 Long Service Awards

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year  
Total expenses

Current service cost  
Interest Cost  
Benefit Vesting

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

Less: Transfer of Current Portion - Note 7

Balance 30 June

2011  
R

2010  
R

	775,065	727,524
	86,550	61,293
	93,954	95,390
	60,528	52,514
	(67,932)	(86,611)
	20,766	(13,752)
	882,381	775,065
	(118,309)	(67,932)
	764,072	707,133

Sensitivity Analysis on the Accrued Liability

Key actuarial assumptions used:

i) Rate of Interest

Discount rate  
General Salary Inflation  
Net Effective Discount Rate

2011  
%

2010  
%

	7.81%	8.16%
	6.27%	6.19%
	1.44%	1.86%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central Assumption		93,954	60,528	154,482	
General Salary Inflation	1.00%	100,011	64,942	164,953	7.00%
General Salary Inflation	-1.00%	88,584	56,551	145,135	-6.00%
Post-retirement mortality	-2 years	89,735	56,562	146,297	-5.00%
Average retirement age	+2 years	99,620	64,816	164,436	6.00%
Withdrawal Rate	-50.0%	116,616	71,983	188,599	22.00%

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current Provisions

4,593,800

4,316,481

4,593,800

4,316,481

Provision is made for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 6% and discounted to present value at the return on investments of 6.42%; hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012.

Landfill Sites

Balance 1 July  
Interest Expense

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 7

Balance 30 June

4,316,481

4,107,183

277,319

209,298

4,593,800

4,316,481

4,593,800

4,316,481

CONSUMER DEPOSITS

Electricity and Water

Total Consumer Deposits

543,341

520,849

543,341

520,849

Guarantees held in lieu of Electricity and Water Deposits

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>6 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Health Care Benefits - Note 3	339,445	274,820
Staff Leave	1,266,940	785,783
Bonuses	528,608	470,915
<b>Total Current Employee Benefits</b>	<b>2,134,993</b>	<b>1,531,318</b>

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	785,783	712,891
Contribution to current portion	481,157	72,892
<b>Balance at end of year</b>	<b>1,266,940</b>	<b>785,783</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	470,915	
Contribution to current portion	57,693	470,915
<b>Balance at end of year</b>	<b>528,608</b>	<b>470,915</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**PROVISIONS**

Current Portion of Rehabilitation of Landfill-sites - Note 3

**Total Provisions**

**PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	7,024,564	2,742,760
Sundry Creditors	3,655,949	4,280,512
Payments received in advance	689,496	701,968
Retentions	374,670	1,808,699
Sundry Deposits	88,135	62,813
<b>Total Trade Payables</b>	<b>11,832,814</b>	<b>9,596,752</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying-value of trade and other payables approximates its fair value.

Sundry deposits include library deposits.

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>Unspent Grants</b>	5,528,678	8,767,563
National Government Grants	3,495,463	4,003,644
Provincial Government Grants	1,476,107	2,988,038
District Municipality	293,084	1,000,090
Other Grant Providers	264,024	775,791
	789,914	506,373
<b>Less: Unpaid Grants</b>	702,064	-
National Government Grants	-	95,467
Provincial Government Grants	87,850	407,857
District Municipality	-	2,949
Other Grant Providers	-	-
<b>Total Conditional Grants and Receipts</b>	<u>4,738,764</u>	<u>8,261,190</u>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**TAXES**

**10.1 VAT PAYABLE**

VAT Payable	-	(543,704)
VAT output in suspense	3,196,375	2,707,914
<b>Total Vat payable</b>	<u>3,196,375</u>	<u>2,164,210</u>

**10.2 VAT RECEIVABLE**

VAT Refundable	137,835	-
VAT input in suspense	813,122	298,088
<b>Total VAT receivable</b>	<u>950,957</u>	<u>298,088</u>

**10.3 NET VAT RECEIVABLE/(PAYABLE)**

	<u>(2,245,418)</u>	<u>(1,866,122)</u>
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VAT is receivable/payable on the cash basis.



KANNALAND MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance R	Transfers	Cost Correction of Error - Note 33.1	Additions R	Closing Balance R	Opening Balance R	Correction of Error - Note 33.1	Accumulated Depreciation Depreciation R	Impairment R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	15,459,719	-	-	-	15,459,719	722,346	-	255,472	-	987,817	14,471,902
Land	7,300,822	-	-	-	7,300,822	-	-	-	-	-	7,300,822
Buildings	8,158,897	-	-	-	8,158,897	722,346	-	255,472	-	987,817	7,171,080
<b>Infrastructure</b>	257,860,995	-	-	11,094,155	268,955,150	95,570,319	-	5,122,441	-	102,092,760	166,862,400
Main Roads	43,785,520	9,192,566	-	1,038,809	54,017,895	28,080,315	-	1,659,036	-	29,579,351	24,438,543
Main Waste Management	94,103,492	-	-	673,185	94,776,677	17,603,913	-	1,621,914	-	19,225,827	75,550,850
Main Electricity	39,086,904	-	-	-	39,086,904	20,521,614	-	1,220,188	-	21,741,802	17,345,102
Main Water	43,481,363	-	-	80,000	43,561,363	15,238,556	-	378,287	-	15,639,843	27,921,520
Taxi Ranks	1,197,611	-	-	-	1,197,611	296,754	-	58,732	-	355,486	842,125
Main Solid Waste Management	74,036	-	-	-	74,036	10,531	-	3,327	-	14,108	59,928
Work in Progress	1,051,166	-	-	-	1,051,166	149,718	-	42,596	-	192,314	858,852
Reservoir/Tanks and Pumps	10,533,959	(9,192,566)	-	9,304,161	10,362,554	-	-	-	-	-	10,362,554
Community Assets	34,507,894	-	-	-	34,507,894	14,018,817	-	798,111	-	14,816,928	19,690,966
Recreation Grounds	15,990,617	-	-	248,973	16,239,590	1,896,215	-	632,432	-	2,528,647	13,710,943
Civic Buildings	7,372,585	-	-	238,173	7,610,758	883,739	-	231,256	-	925,025	6,685,733
Transfer Station	4,051,177	-	-	10,800	4,061,977	405,117	-	135,959	-	540,516	3,521,461
Libraries	254	-	-	-	254	31	-	17	-	88	166
Parks and Gardens	1,323,331	-	-	-	1,323,331	132,833	-	44,278	-	177,111	1,146,220
Swimming Pools	77,500	-	-	-	77,500	0	-	-	-	0	77,500
Cemetery	3,133,767	-	-	-	3,133,767	651,743	-	230,581	-	882,324	2,251,443
Lease Assets	27,023	-	-	-	27,023	2,702	-	901	-	3,603	23,420
Office Equipment	111,424	-	-	-	111,424	2,274	-	27,288	-	29,562	81,862
Other Assets	8,722,929	-	-	88,118	8,811,047	1,816,330	-	235,418	-	3,611,039	5,199,988
Motor Vehicles	3,859,771	-	-	-	3,859,771	680,565	-	482,592	-	1,366,565	2,493,206
Plant and Equipment	1,515,729	-	-	-	1,515,729	295,334	-	127,351	-	423,685	1,092,044
Office Equipment	724,704	-	-	57,977	782,681	201,512	-	103,867	-	310,369	472,311
Furniture and Equipment	1,308,841	-	-	7,500	1,316,341	329,436	-	200,111	-	966,682	345,659
Loose Equipment	64,387	-	-	-	64,387	21,622	-	10,731	-	32,153	32,234
Computer Equipment	1,219,717	-	-	-	1,219,717	287,318	-	177,287	-	474,715	744,902
Security Items	588	-	-	19,533	20,121	198	-	98	-	296	19,825
Fire Fighting Equipment	29,113	-	-	-	29,113	9,418	-	4,708	-	14,126	14,987
	298,145,684	-	-	11,428,246	309,573,930	100,407,374	-	235,418	-	103,249,865	206,324,065

KANNALAND MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR 2010-2011

30 JUNE 2010  
Reconciliation of Carrying Value

	Opening Balance R	Transfers	Cost Correction of Error - Note 33.1	Additions R	Closing Balance R	Opening Balance R	Correction of Error - Note 33.1	Accumulated Depreciation R	Impairment R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	12,314,609	-	3,145,110	-	15,459,719	464,225	-7,352	285,472	-	722,345	14,737,374
Land	2,949,674	-	4,351,148	-	7,300,822	-	-	-	-	-	7,300,822
Buildings	9,364,935	-	(1,206,039)	-	8,158,897	464,225	(7,352)	285,472	-	722,345	7,436,552
<b>Infrastructure</b>	288,357,005	-	-15,933,587	15,442,577	257,866,995	12,587,790	76,861,684	5,901,718	619,117	95,970,309	161,896,685
Main Roads	42,232,799	6,224,031	(16,612,826)	1,941,316	43,785,220	3,620,871	23,147,574	1,311,770	-	28,080,315	15,705,204
Main Waste Management	63,084,571	-	981,287	43,634	64,109,492	2,893,694	13,081,824	1,618,295	-	17,603,913	46,505,580
Maint Solid Waste Management	101,147	-	(27,061)	-	74,086	9,947	(2,833)	3,527	-	10,581	63,504
Main Electricity	59,677,468	832,598	(2,913,087)	-502,924	59,099,904	2,136,866	16,581,855	1,203,676	619,117	20,521,614	38,576,291
Main Water	47,107,393	-	(3,951,056)	325,026	43,481,363	2,299,117	12,021,104	886,345	-	15,288,536	28,192,826
Taxi Ranks	1,170,969	-	-26,642	-	1,197,611	114,012	123,960	36,782	-	256,754	900,858
Fencing	1,450,694	-	(413,216)	19,688	1,051,166	315,216	(207,342)	41,874	-	148,748	90,418
Work in Progress	12,797,523	(8,283,080)	4,683,123	1,361,393	10,553,959	1,097,366	12,128,502	795,479	-	14,013,847	10,553,959
Reservoirs/Tanks and Pumps	30,734,440	1,231,451	2,286,407	246,596	34,507,894	1,042,054	222,089	632,072	-	1,895,215	20,488,047
<b>Community Assets</b>	9,992,759	-	5,920,358	77,500	15,990,617	1,042,054	-	-	-	1,895,215	14,094,403
Recreation Grounds	6,745,918	-	636,647	-	7,372,565	616,201	(153,688)	231,256	-	693,769	6,678,797
Civic Buildings	-	-	4,051,177	-	4,051,177	-	270,078	135,039	-	403,117	3,648,060
Transfer Station	-	-	254	-	254	-	34	17	-	51	203
Libraries	-	-	1,328,331	-	1,328,331	-	88,555	44,278	-	132,833	1,195,498
Parks and Gardens	96,370	-	(55,370)	77,500	77,500	4,328	(4,328)	-	-	0	77,500
Swimming Pools	2,479,926	-	653,841	-	3,133,767	335,963	105,199	226,581	-	661,743	2,472,024
Cemetery	671,545	-	(644,522)	-	27,023	85,362	(83,761)	901	-	2,702	24,321
<b>Lease Assets</b>	-	-	-	111,424	111,424	-	-	2,274	-	2,274	109,150
<b>Office Equipment</b>	-	-	-	111,424	111,424	-	-	2,274	-	2,274	109,150
<b>Other Assets</b>	546,011	-	7,602,031	574,887	8,722,929	3,092,079	-2,432,266	1,157,017	-	1,316,830	6,906,099
Motor Vehicles	175,353	-	3,517,721	166,682	3,859,771	1,763,537	(1,720,556)	586,274	-	869,955	3,136,816
Plant and Equipment	16,178	-	1,473,781	25,770	1,515,729	209,336	(40,883)	121,281	-	239,334	1,219,395
Office Equipment	28,094	-	651,387	45,312	724,794	338,161	(227,657)	101,008	-	201,512	523,272
Furniture and Equipment	178,797	-	954,154	175,880	1,308,841	499,692	(338,614)	166,358	-	323,436	979,405
Loose Equipment	-	-	64,387	-	64,387	(92,728)	103,459	10,731	-	21,462	42,925
Computer Equipment	147,594	-	910,890	161,233	1,219,717	329,634	(190,674)	155,598	-	297,518	922,199
Security Items	-	-	588	-	588	-	98	88	-	196	392
Fire Fighting Equipment	-	-	29,113	-	29,113	13,748	(9,038)	4,709	-	3,418	13,695
	281,210,384	-	728,912	16,206,388	298,145,684	17,186,149	74,644,155	7,555,553	619,117	100,407,974	197,737,711

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>12 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	667,808	668,707
Cost	670,509	670,509
Accumulated Depreciation	(2,703)	(1,802)
Depreciation for the year	(901)	(901)
Net Carrying amount at 30 June	666,905	667,806
Cost	670,509	670,509
Accumulated Depreciation	(3,604)	(2,703)
<b>13 INTANGIBLE ASSETS</b>		
Computer Software		
Net Carrying amount at 1 July	263,960	305,217
Cost	546,863	501,773
Accumulated Amortisation	(282,904)	(196,555)
Additions	38,405	45,091
Amortisation	(95,950)	(86,349)
Net Carrying amount at 30 June	206,415	263,960
Cost	585,269	546,863
Accumulated Amortisation	(378,854)	(282,904)

The following material Intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2011 R	2010 R
Microsoft Office and Windows software	5	206,415	263,960

No Intangible asset were asessed having an indefinite useful life.

There are no Internally generated Intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of Intangible assets.

	R	R
<b>14 CAPITALISED RESTORATION COST</b>	73,092	114,780
Net Carrying amount at 1 July		
Cost	1,273,227	1,273,227
Balance previously reported	-	-
First time recognition of Capitalised Restoration Cost - At Cost - Note 33.20	-	1,273,227
Accumulated Depreciation	(1,196,707)	(1,158,447)
Balance previously reported	-	-
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 33.20	-	(1,158,447)
Accumulated Impairments	(3,428)	-
Acquisitions	(36,547)	(38,260)
Depreciation for the year	-	(38,260)
Balance previously reported	-	-
Recognition of Depreciation for 2009/2010 - Note 33.20	-	(38,260)
Impairment	(11,142)	(3,428)
Net Carrying amount at 30 June	25,403	73,092
Cost	1,273,227	1,273,227
Accumulated Depreciation	(1,233,254)	(1,196,707)
Accumulated Impairment	(14,570)	(3,428)

2011

2010



KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

5	<b>NON-CURRENT INVESTMENTS</b>	R	R
	Fixed Deposits	3,124,341	2,749,438
	<b>Total Non-Current Investments</b>	<b>3,124,341</b>	<b>2,749,438</b>
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest of 13.2 % per annum.		
	Investments to the value of R3 124 341 are pledged as security for long term liability - Refer to note 2		
	Fixed deposits consist out of the following accounts		
	RMB FIXED DEPOSIT	3,124,341	2,749,438
		<b>3,124,341</b>	<b>2,749,438</b>
	Included in Non-Current Investments are balances ring-fenced for the following specific purposes		
	Repayment of long term liabilities	3,124,341	2,749,438
		<b>3,124,341</b>	<b>2,749,438</b>
3	<b>LONG-TERM RECEIVABLES</b>		
	Golf Club	13,691	16,950
		13,691	16,950
	<u>Less:</u> Current portion transferred to current receivables	(3,525)	(3,259)
	Golf Club	<b>(3,525)</b>	<b>(3,259)</b>
	<b>Total Non Current Long Term Receivables</b>	<b>10,166</b>	<b>13,691</b>
7	<b>INVENTORY</b>		
	Consumable Stores - At cost	1,061,260	1,239,385
	<b>Total Inventory</b>	<b>1,061,260</b>	<b>1,239,385</b>
8	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Electricity	2,232,046	1,976,976
	Water	2,864,191	2,230,632
	Refuse	10,891,430	9,638,262
	Sewerage	13,180,671	11,763,160
	Housing	535,357	515,951
	Other	4,673,758	4,119,492
	<b>Total Receivables from Exchange Transactions</b>	<b>34,377,459</b>	<b>30,144,893</b>
	Less: Allowance for Doubtful Debts	(31,080,332)	(27,135,967)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>3,297,127</b>	<b>3,008,926</b>
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
	Ageing of Receivables from Exchange Transactions:		
	<u>(Electricity): Ageing</u>		
	Current (0 - 30 days)	1,635,219	1,448,362
	31 - 60 Days	100,724	89,214
	61 - 90 Days	57,605	51,076
	+ 90 Days	438,437	388,334
	<b>Total</b>	<b>2,232,046</b>	<b>1,976,976</b>